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THE HOG SITUATION

Summary

A seasonal decrease in hog marketings is expected in the late winter and early spring, but supplies probably will continue larger than a year earlier. Consumer demand for hog products has improved somewhat since mid-summer. This improvement in demand probably will be well maintained in early 1939, with some further strengthening not unlikely.

Prices of hogs have declined a little more than \$2 per hundred pounds since late July, due to a seasonal increase in market supplies. Marketings of spring pigs got under way in volume in August, somewhat earlier than usual. Marketings in recent months were considerably larger than a year earlier, reflecting the increase in the 1938 spring pig crop over that of 1937. But average weights of hogs in the past 2 months have been lighter than a year earlier chiefly because of the larger proportion of spring pigs in the marketings this fall than last.

Feed supplies generally are abundant, and feed prices are low in relation to hog prices. In mid-November the hog-corn price ratio in the Corn Belt was the highest for that time of year on record. Because of the large supplies of corn and other feeds and the high hog-corn price ratio, average weights of hogs probably will increase seasonally in the next few months. Hogs marketed during most of 1939 may be as heavy as in 1938. The large supplies of feed and the favorable hog-corn price ratios probably will be reflected also in an increase in the 1939 spring pig crop over that of 1938.

Under the provisions of the trade agreement recently concluded by the United States and Great Britain (effective January 1), the duty of 10 per cent ad valorem on lard imports into Great Britain was removed. The British quota on imports of hams from this country also was increased. Great Britain for many years has been the leading outlet for United States exports of cured pork and lard.

The December 1 pig crop report giving estimates of the number of pigs farrowed in the fall of 1938 and an indication of the number of sows bred for farrow in the spring of 1939 will be released by the Bureau of Agricultural Economics on December 22.

REVIEW OF RECENT DEVELOPMENTS

BACKGROUND.- The market movement of the spring pigs in substantial volume began earlier than usual this year. Hog marketings in August were larger than in July for the second time on record. Largely as a result of this increase in marketings, hog prices began to decline in August this year whereas in most years prices do not weaken until after mid-September.

Marketings continued to increase after August, exceeding marketings a year earlier, but a part of the effect of this upon prices in recent months has been partly offset by some improvement in consumer demand. The larger supplies this year than last reflect chiefly the 13 percent increase in the 1938 spring pig crop over that of 1937.

Hog prices decline in October and November

Prices of hogs declined moderately in October and November as hog marketings increased seasonally. In early December, the weekly average price of butcher hogs at Chicago was about \$7.35 compared with \$7.95 in late October, and about \$8.85 in late September. The range in prices of the several weight groups of hogs in recent weeks has been unusually narrow. A year earlier, prices of heavy weight butcher hogs were somewhat lower than prices of light and medium weight butchers, a spread that became widened later in the winter.

The average price of butcher hogs at Chicago has declined slightly more than \$2 since late July from about \$9.65 to \$7.35. This is in contrast with a decline of more than \$4.50 a year earlier, from about \$13 in mid-August to about \$8.40 in early December. The sharp drop in prices in 1937 resulted from a large seasonal increase in hog marketings and a marked decline in consumer demand. There was a fairly large increase in marketings from August through November this year, but not so great as in 1937.

Inspected slaughter of hogs and average price of
butcher hogs, Chicago, August-November, 1937 and
1938

Month	Inspected slaughter of hogs				Average price per	
	Number slaughtered ^{1/}		Aug. = 100		100 pounds of barrows	
					and gilts, Chicago	
	1937	1938	1937	1938	1937	1938
	Thousands	Thousands	Percent	Percent	Dollars	Dollars
Aug.	1,590	2,467	100.0	100.0	^{2/} 12.63	8.75
Sept.	2,033	2,671	127.9	108.3	11.97	8.90
Oct.	2,711	3,311	170.5	134.2	10.34	7.93
Nov.	3,295	3,913	207.2	158.6	8.72	7.68

^{1/} Bureau of Animal Industry.

^{2/} Computed from weekly averages.

Hog marketings increase seasonally in November

Inspected hog slaughter in November was 18 percent larger than in October and 19 percent greater than in November last year. Average weights of hogs marketed since early September have been lighter than a year earlier. In November the average weight of hogs at the seven leading markets of 227 pounds was 4 pounds lighter than in November last year.

Hog-corn price ratio increases

The decline in corn prices since mid-summer has been relatively greater than the drop in hog prices, and the ratio between hog prices and corn prices has increased. Based on prices received by farmers for hogs

and corn on November 15, the hog-corn price ratio in the North Central States was 20.1. This figure is much higher than average and is the highest for November on record.

Wholesale prices of pork and lard weaken in October and November

Prices of fresh pork declined almost steadily in October and November. At the end of November prices were at the lowest level since last February. Wholesale prices of cured pork also declined, but the drop in October was much greater than that in November. Lard prices continued to decline in November, reaching the lowest level since the summer of 1934.

Storage stocks of pork and lard increase in December

Storage holdings of pork increased seasonally in November, but total stocks of pork on December 1 were slightly smaller than a year earlier, and much smaller than the December 1 average. Stocks of lard at the beginning of December were only slightly larger than a month earlier, but they were more than twice as large as the relatively small stocks on hand on December 1 last year.

Storage holdings of pork and lard, specified dates

Item	: Dec. 1	: Dec. 1,	: Dec. 1,	: Nov. 1,	: Dec. 1,
	: 5-year	: 1936	: 1937	: 1938	: 1938 1/
	: average	:	:	:	:
	: 1933-37	:	:	:	:
	: 1,000	1,000	1,000	1,000	1,000
	: pounds	pounds	pounds	pounds	pounds
	:	:	:	:	:
Pork	424,922	463,400	306,630	251,645	296,600
Lard	80,108	103,765	33,966	67,667	72,281
	:	:	:	:	:
1/ Preliminary.					

Exports of pork and lard increase in September and October

Pork exports in both September and October exceeded the preceding month. Exports in October amounted to 7.3 million pounds, which was 600,000 pounds more than in September and 2.6 million pounds greater than in October 1937. Practically all of the increase from October through November this year was in cured pork.

Imports of pork continued to decrease in October. The total of 2.8 million pounds was the smallest for any month since February 1936. The reduction in pork imports during the current year reflects chiefly the larger domestic slaughter supplies of hogs and the greater decline in prices of hogs and pork in the United States than in foreign countries.

Exports of lard in October, totaling 21 million pounds, were the largest for any month since last December. All of the increase in the total lard exports from September through October was in the shipments to Great Britain.

Hogs and Hog Products and the New British and Canadian Trade Agreements 1/

The trade agreement recently concluded with Canada, provides for reductions in the United States and Canadian duties on hogs and certain hog products. The agreement with Great Britain provides for reductions in British duties on certain hog products and also for an increase in the United States quota on imports of hams into the United Kingdom. The provisions of both agreements become effective January 1, 1939. The following statement summarizes the important changes.

The British Agreement

From the standpoint of United States hog producers the most important changes made by either of the two agreements are the concessions made by Great Britain on imports of hams and lard. The duty of 10 percent ad valorem on lard imports into Great Britain has been removed. The United States for many years has been the principal source of British lard imports, and Great Britain usually is the most important outlet for United States lard exports.

Another important concession made by Great Britain was the increase in the United States quota on imports of hams into the United Kingdom. Since late 1932 imports of bacon and hams into Great Britain from non-British Empire countries have been subject to quantitative restrictions. The total quota for imports of bacon and hams has been changed from time to time, but the percentage allocations of the total quota have not been changed greatly. Since early 1934 the United States share has been 8.1 percent of the total quota. Under the new agreement, the United States will be permitted to ship to Great Britain at least 56 million pounds of hams per year, and this quantity may be increased under certain conditions. During the period from 1935 through 1937 the annual United States import quota for bacon and hams varied between 47 million and 49 million pounds. In 1936 and 1937, however, because of the sharp decrease in hog production resulting from droughts, the United States quota was not filled.

In recent years most of the United States shipments of cured pork to Great Britain has been hams. Great Britain has long been the leading outlet for United States exports of hams and shoulders. The United States usually has been the leading supplier of separately cut hams to the British market. It should be noted, however, that the so-called imports of bacon into Great Britain from continental Europe and Canada are most in the form of Wiltshire sides, or half carcasses, which include hams and shoulders.

1/ A discussion of the trade agreements with Great Britain and Canada, especially as they relate to farm products, will appear in the December issue of Foreign Agriculture, a monthly publication of this Bureau.

Imports of hams and lard into the United Kingdom from all countries, and from the United States, 1933-37

Year	Hams		Lard	
	All countries	United States	All countries	United States
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
1933	96,275	62,317	322,285	280,193
1934	81,295	53,298	313,778	290,382
1935	75,643	46,858	170,927	65,123
1936	75,081	37,172	169,797	65,774
1937 1/.....	75,600	34,916	164,772	74,416

Compiled from Annual Statement of the Trade of the United Kingdom. Imports for consumption.

1/ Preliminary. Reexports not separately reported.

The Canadian Trade Agreement

Under the provisions of the new trade agreement with Canada, the duty on live hogs imported into Canada was lowered from 1-1/4 cents per pound to 1 cent per pound; the duty on fresh pork was reduced from 2-1/2 cents to 1-1/4 cents per pound. Under the trade agreement concluded with Canada in 1935 the Canadian duty on bacon, hams and shoulders was lowered from 5 cents to 1-3/4 cents per pound, and the latter rate continues in effect.

Under the new agreement with Canada the duties on hogs and hog products imported into the United States were changed as follows: the duty on live hogs is reduced from 2 cents to 1 cent per pound; the duty on pork, fresh and chilled but not frozen was lowered from 2-1/2 cents to 1-1/4 cents per pound; and the duty on bacon, hams and shoulders prepared or preserved but not cooked, boned or canned, or made into sausage was reduced from 3-1/4 cents to 2 cents per pound. The duty on canned hams continues to be 3-1/4 cents per pound.

OUTLOOK

The November issue of The Hog Situation gave the following conclusions as to the outlook for hogs in 1938-39:

(1) Slaughter supplies of hogs in the 1938 marketing year, which began October 1, will be materially larger than in the preceding year. It is probable that inspected hog slaughter in 1938-39 will total between 37 and 38 million head compared with 34.6 million head in 1937-38. Average weights of hogs marketed in 1938-39 are expected to be about as heavy as in 1937-38.

(2) Domestic demand for hog products, including both consumer and storage demand, in the current marketing year probably will be more favorable than in 1937-38, and the foreign demand for hog products also may be a little stronger. But the effects of the stronger demand upon prices probably will only partially offset the effects of the larger supplies.

(3) Largely because of the abundant feed supplies produced in 1937, the pig crops in 1938 were considerably larger than those of last year. With feed supplies in 1938-39 abundant and large in relation to livestock numbers a further increase in the number of pigs raised in 1939 is expected.

Seasonal decrease in hog marketings expected in the late winter and early spring

A seasonal reduction in market supplies of hogs probably will get under way shortly after the beginning of 1939. As indicated, the market movement of spring pigs began earlier than usual in 1938. All of the increase in marketings over a year earlier in the past 2 months has been in spring pigs, as marketings of old crop hogs have been smaller than a year earlier. It is probable, therefore, that the proportion of springs remaining on farms on January 1 will be smaller than a year earlier. Thus there may be a larger than usual seasonal decrease in marketings in the late winter and early spring. But because the spring pig crop in 1938 was considerably larger than that of 1937, it is expected that marketings will continue larger than a year earlier until the summer months, at least.

As already indicated, hog slaughter in the first 2 months of the current marketing year, which began October 1, has been considerably larger than a year earlier. Slaughter in early December also was larger than a year earlier. If slaughter in the first 3 months of the present year should be about an average proportion of the yearly total, inspected slaughter for the 1938-39 marketing year would be larger than 37 or 38 million head, which was the estimate given in the annual hog outlook report released in early November. In order for the yearly total to be no larger than 38 million head slaughter in the first 3 months (October-December) would have to represent a larger than average proportion of that total. In all other years, except one, when feed supplies have been plentiful and the hog-corn price ratio much above average as they are this year, the proportion that slaughter in the first 3 months of the marketing year was of the yearly total was smaller than average rather than larger than average. In the 1937-38 marketing year, however, the proportion was only about average. It is possible, therefore, that the indication for inspected slaughter for 1938-39, given in the annual outlook report may be too small, and some revision may be made in this indication when the estimates of the 1938 fall pig crop become available.

Domestic demand for hog products

Consumer demand for hog products in early 1939 is expected to be stronger than a year earlier. Demand has improved materially since mid-summer as industrial activity and incomes of consumers have increased. In the next few months it is expected that consumer demand will hold near present levels, with some additional improvement not unlikely.

Average weights of hogs

With feed supplies abundant and feed prices low in relation to hog prices, it is expected that hogs will be fed to relatively heavy weights. Consequently, it still seems probable (as was stated in the outlook report) that the average weight for the present marketing year will be about as heavy as in 1937-38, despite the lighter weights in October and November.

In the summer of 1937, because of the shortage and high prices of feed, a large number of hogs were held over for finishing on new crop grains and were marketed mostly from October through December. In the summer of 1938, with feed supplies large and prices low, there was no such hold-over of hogs, and marketings in the past 2 months have been mostly spring pigs. This difference in make up of the supply is largely responsible for the lighter weights thus far in the present marketing year.

Prices of hogs and hog products, specified periods

Item	Unit				Oct.-Sept.			Oct.-Nov.	
		Nov.	Oct.	Nov.	Av.				
		1937	1938	1938	1928-29	1936-	1937-		
					to	37	38	1937	1938
					1932-33				
Average price:	Dol.								
All purchases-	per								
Chicago	100 lb.	8.64	7.84	<u>1/</u> 7.67	6.99	10.49	8.47	9.34	7.76
Omaha	"	8.08	7.54	7.47	6.54	9.94	8.05	8.76	7.50
Barrows and gilts-									
Chicago	"	8.72	7.93	<u>1/</u> 7.68	<u>2/</u>	<u>2/</u>	8.76	9.53	7.80
U.S. average price re-									
ceived by farmers ...	"	8.25	7.28	7.25	6.48	9.66	8.07	9.02	7.26
Prices of hog products									
Chicago-									
Loins, 8-10 lb.	"	18.71	17.75	16.40	17.07	22.28	19.68	20.20	17.02
Hams, smoked, reg. No.									
1, 10-12 lb.	"	23.62	22.31	21.30	20.31	24.65	23.56	24.68	21.80
Bacon, smoked, No. 1									
dry cured, 6-8 lb.	"	29.38	23.62	22.30	23.71	28.58	26.99	30.94	22.96
Lard, refined,									
H.W. tubs	"	11.38	8.53	8.33	9.68	13.13	9.90	11.69	8.43
Average price of No. 3:	Cents								
Yellow corn, Chicago:	per lb.	53	45	46	62	115	57	60	46
	<u>3/</u>								
Hog-corn price ratio:									
Chicago	Bu.	16.2	17.5	16.7	11.6	9.2	14.8	15.7	17.1
No. Central States ...	"	19.0	19.5	20.1	12.9	9.4	17.6	19.2	19.8
Proportion of packing:									
sows in total packer:									
& shipper purchases,									
seven markets <u>4/</u> ...	Pct.	8.0	11.0	7.0	<u>2/</u>	15.0	13.1	12.0	9.0
Average weight at									
seven markets	Lb.	231	224	227	<u>2/</u>	231	246	232	226

1/ Prices based on a limited number of sales because of stockyards strike in Chicago

2/ Not available.

3/ Number of bushels of corn equivalent in value to 100 pounds of live hogs.

4/ Monthly figures computed from weekly averages.

Supplies of hogs and hog products, specified periods

Item	Unit	Oct.-Sept.						
		Oct.	Sept.	Oct.	Average:			
		1937	1938	1938	1928-29:	1935-	1936-	1937-
					to	36	37	38
					1932-33:			
Hog slaughter								
under Federal								
inspection:								
Number	Thou-							
slaughtered ^{1/}	sands	2,711	2,671	3,311	46,363	31,022	34,142	34,580
Live weight:								
Average	Pound	225	228	220	231	232	221	234
Total	Mil. lb.	611	609	728	10,723	7,191	7,538	8,089
Dressed weight:								
Average	Pound	167	167	161	175	175	164	175
Total	Mil. lb.	452	444	532	8,069	5,402	5,586	6,046
Yield of lard								
per 100 lbs.								
live weight								
of hogs	Pound	9.7	12.5	12.3	15.2	12.1	10.9	12.4
Production of								
lard	Mil. lb.	59	76	90	1,630	870	833	1,002
Apparent cons:								
Pork, incl.								
lard ^{2/}	"	484	506	555	7,171	5,124	5,601	5,795
Lard	"	73	84	91	961	712	756	777
Exports: ^{3/}								
Pork	"	5	7	7	211	69	59	89
Lard	"	19	19	21	657	101	107	208
Imports of pork ^{3/}	"	6	4	3	6	32	72	57
Proportion of								
sows in inspect-								
ed slaughter ^{4/}	Percent:	52.8	50.6	48.0	5.12	51.9	51.1	49.9

^{1/} Bureau of Animal Industry.

^{2/} Represents apparent disappearance of federally inspected pork plus unrendered hog fats.

^{3/} United States Department of Commerce. Pork includes bacon, hams and shoulders, and fresh, canned, and pickled pork. Lard includes neutral lard.

^{4/} Includes gilts.







